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Macroeconomic policy questions: international financial system and development

Draft resolution submitted by the Vice-Chairman of the Committee, Mr. Majdi Ramadan (Lebanon), on the basis of informal consultations held on draft resolution A/C.2/59/L.2

International financial system and development

The General Assembly,

Recalling its resolutions 55/186 of 20 December 2000 and 56/181 of 21 December 2001, both entitled "Towards a strengthened and stable international financial architecture responsive to the priorities of growth and development, especially in developing countries, and to the promotion of economic and social equity", as well as its resolutions 57/241 of 20 December 2002 and 58/202 of 23 December 2003,

Recalling also the United Nations Millennium Declaration[1] and its resolution 56/210 B of 9 July 2002, in which it endorsed the Monterrey Consensus of the International Conference on Financing for Development[2] and the Plan of Implementation of the World Summit on Sustainable Development ("Johannesburg Plan of Implementation"),[3]

Emphasizing that the international financial system should further sustain economic growth and support sustainable development and poverty eradication, while allowing for the coherent mobilization of all sources of financing for development, including the mobilization of domestic resources, international investment flows, official development assistance and external debt relief, and an

[1] See resolution 55/2.

[2] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[3] *Report of the World Summit on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (United Nations publication, Sales No. E.03.II.A.1 and corrigendum), chap. I, resolution 2, annex.

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open, equitable, rule-based, predictable and non-discriminatory global trading system,

Reiterating that success in meeting the objectives of development and poverty eradication depends on good governance within each country and at the international level, and stressing that sound economic policies, solid democratic institutions responsive to the needs of the people and improved infrastructure are the basis for sustained economic growth, poverty eradication and employment creation,

Recognizing that an enabling economic environment should, inter alia, foster a dynamic and well-functioning business sector and include efforts to further promote good corporate and public sector governance, to combat corruption in the private and public sectors, and to promote the strengthening of and respect for the rule of law,

Encouraging further progress on the issue of participation of developing countries in international economic decision-making and norm-setting processes, including those in the Bretton Woods institutions and other economic and financial institutions and ad hoc groupings, while welcoming the steps that have been taken with a view to strengthening the capacity of developing countries to participate effectively in the international financial institutions,

Recognizing the urgent need to enhance the coherence, governance and consistency of the international monetary, financial and trading systems, and the importance of ensuring their openness, fairness and inclusiveness in order to complement national development efforts to ensure sustained economic growth and the achievement of the internationally agreed development goals, including those contained in the United Nations Millennium Declaration,

Emphasizing the need for additional stable and predictable financing to help developing countries undertake investment plans to achieve internationally agreed development goals,

Welcoming the initiative launched by the Presidents of Brazil, Chile and France and the Prime Minister of Spain, with the support of the Secretary-General, to convene in New York on 20 September 2004 the Summit of World Leaders for Action against Hunger and Poverty,

Taking note of the note by the Secretary-General on innovative sources of financing for development,[4]

Reiterating the need to strengthen the leadership role of the United Nations in promoting development,

1. *Takes note* of the report of the Secretary-General on the international financial system and development;[5]

2. *Notes* that the global economy is recovering, supported by growth in some developing countries, and that economic growth should be further strengthened and sustained, and stresses the importance of cooperative efforts by all countries and institutions to cope with risks of financial instability and to ensure a

[4] A/59/272.

[5] A/59/218 and Corr.1.

strong and steady recovery, as a means of achieving greater financial stability, and in this regard, acknowledges recent efforts at regional monetary cooperation;

3. *Also notes* the continued net outward transfer of financial resources from developing to developed countries, acknowledging the outward investment from some developing countries as an indication of their integration into the world economy, and underscores the need for appropriate measures at the national and international levels to address this issue, and further notes the efforts that have been made thus far to this end and takes note of the fact that, for some developing countries, those transfers, at the present time, indicate positive developments in the trade balance, which are required, inter alia, for debt repayment and allow for the purchase of foreign assets;

4. *Underlines* the importance of promoting international financial stability and sustainable growth, and welcomes the efforts undertaken to this end by the International Monetary Fund and the Financial Stability Forum, as well as the consideration by the International Monetary and Financial Committee of ways to sharpen tools designed to promote international financial stability and enhance crisis prevention, inter alia, through an even-handed implementation of surveillance, including at the regional level, and a sharpening of surveillance of capital markets and systemically and regionally important countries, with a view, inter alia, to the early identification of problems and risks, integrating debt sustainability analysis, the fostering of appropriate policy responses, the possible provision of financing and other instruments designed to prevent the emergence or spread of financial crises, and further improvements in the transparency of macroeconomic data and statistical information on international capital flows;

5. *Also underlines* the importance of efforts at the national level to increase resilience to financial risk and stresses in this regard the importance of better assessment of a country's debt burden and its ability to service that debt in both crisis prevention and resolution and welcomes the ongoing work of the International Monetary Fund on assessing debt sustainability;

6. *Reiterates* in this regard that measures to mitigate the impact of excessive volatility of short-term capital flows and to improve transparency of and information about financial flows are important and must be considered;

7. *Notes* the impact of financial crisis or risk of contagion in developing countries and countries with economies in transition, regardless of their size, and in this regard, welcomes the efforts of the international financial institutions, in their support to countries, to continuously adapt their array of financial facilities and resources, drawing on a full range of policies, taking into account the effects of economic cycles, as and where appropriate, having due regard to sound fiscal management and the specific circumstances of each case, so as to prevent and respond to such crises in a timely and appropriate way;

8. *Stresses* the importance of strong domestic institutions in promoting business activities and financial stability for the achievement of growth and development, inter alia, through sound macroeconomic policies and policies aimed at strengthening the regulatory systems of the corporate, financial and banking sectors, and also stresses that international cooperation initiatives in those areas should encourage flows of capital to developing countries;

9. *Notes* that building an environment that encourages development of the domestic business sector requires that countries undertake appropriate policies to minimize the risk of and respond to external shocks and their impact, inter alia, on growth and employment, and encourages the International Monetary Fund and the World Bank to take into account the specific conditions of developing countries in determining their guidance to them in this area;

10. *Stresses* the importance of advancing in respect of the efforts to reform the international financial architecture, as envisaged in the Monterrey Consensus of the International Conference on Financing for Development,[2] and in this regard, encourages the International Monetary Fund and the World Bank to continue examining the issues of the voice and effective participation of developing countries and countries with economies in transition in their decision-making processes;

11. *Welcomes* the ongoing work of the International Monetary Fund on quotas, and notes the conclusion of the Fund's Twelfth General Review of Quotas, the report on which indicated the adequacy of the current level of Fund resources and the intention of the Executive Board, during the period of the Thirteenth General Review, to monitor closely and assess the adequacy of Fund resources, to consider measures to achieve a distribution of quotas that reflects developments in the world economy and to consider measures to strengthen the governance of the Fund;

12. *Notes* the ongoing analysis by the World Bank and the International Monetary Fund, as mentioned in the communiqué of the Development Committee of 2 October 2004,[6] of proposals on financing modalities to complement increased aid flows and commitments with innovative mechanisms, and their technical feasibility;

13. *Looks forward* to further consideration of the subject of possible innovative and additional sources of financing for development from all sources, public and private, domestic and external, taking into account international efforts, contributions and discussions, within the overall framework of the follow-up of the International Conference on Financing for Development;

14. *Reaffirms* the need to adopt policies and undertake measures to reduce the cost of the transfer of migrant remittances to developing countries and welcomes efforts of Governments and stakeholders in this regard;

15. *Emphasizes* that it is essential to ensure the effective and equitable participation of developing countries in the formulation of financial standards and codes, and underscores the need to ensure their implementation, on a voluntary and progressive basis, as a contribution to reducing vulnerability to financial crisis and contagion, and notes that more than one hundred countries participated or agreed to participate in a joint World Bank-International Monetary Fund financial sector assessment programme;[7]

16. *Invites* the multilateral and regional development banks and development funds to continue to play a vital role in serving the development needs of developing countries and countries with economies in transition, inter alia, through coordinated

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[6] See *IMF Survey*, vol. 33, No. 18 (11 October 2004), pp. 287-288. Complete text is also available from http://sitesources.worldbank.org/DEVCOMMINT/NewsAndEvents/20264401/Sept_2004_DC_Communique_E.pdf.

[7] See A/59/218 and Corr.1, para. 15.

action, as appropriate, and stresses that strengthened regional development banks and subregional financial institutions add flexible financial support to national and regional development efforts, thus enhancing their ownership and overall efficiency, and are an essential source of knowledge and expertise for their developing-country members;

17. *Calls for* the continued effort of the multilateral financial institutions, in providing policy advice, technical assistance and financial support to member countries, to work on the basis of nationally owned reform and development strategies, to pay due regard to the special needs and implementing capacities of developing countries and countries with economies in transition, and to minimize the negative impacts of the adjustment programmes on the vulnerable segments of society, while taking into account the importance of gender-sensitive employment and poverty eradication policies and strategies;

18. *Stresses* the need to continuously improve standards of corporate and public sector governance, including accounting, auditing and measures to ensure transparency, noting the disruptive effects of inadequate policies;

19. *Acknowledges* the ongoing work towards a more comprehensive approach to sovereign debt restructurings, supports the increasing inclusion of collective action clauses in international bond issuing, and strongly encourages leading bond issuing countries and the private sector to make substantial progress on the preparation of an effective code of conduct, bearing in mind the need to not preclude emergency financing in times of crisis, to promote fair burden-sharing and minimize moral hazard, which will engage debtors and creditors to come together to restructure unsustainable debts in a timely and efficient manner;

20. *Welcomes* the ongoing efforts, including those of the Bretton Woods institutions, to improve the assessment of debt sustainability in low- and middle-income countries through, inter alia, the development of better tools to deal with exogenous shocks and the need to take country-specific factors into account;

21. *Requests* the Secretary-General to report to the General Assembly at its sixtieth session on the implementation of the present resolution;

22. *Decides* to include in the provisional agenda of its sixtieth session, under the item entitled "Macroeconomic policy questions", the sub-item entitled "International financial system and development".